

BUENA VISTA COUNTY SOLID WASTE COMMISSION

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENT AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

## TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor's Report	4
Management's Discussion and Analysis	5-7
	<u>Exhibit</u>
Financial Statement:	
Statement of Cash Receipts, Disbursements, and	
Changes in Cash Basis Net Assets	A 8-9
Notes to Financial Statement	10-15
Independent Auditor's Report on Internal Control over Financial	
Reporting and on Compliance and Other Matters	
Based on an Audit of a Financial Statement Performed	
in Accordance with <i>Government Auditing Standards</i>	16-17
Schedule of Findings	18-19

BUENA VISTA COUNTY SOLID WASTE COMMISSION

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
David Wiley	Chairperson	City of Newell
David Althaus	Vice Chair	City of Sioux Rapids
Tom Huseman	Secretary	City of Alta
Erik Mosbo	Treasurer	City of Rembrandt
Gary Wallburg	Member	City of Lakeside
Mike Wilson	Member	City of Storm Lake
Don Altena	Member	Buena Vista County
Barry Meyer	Member	City of Truesdale
Starr Abbas	Member	City of Marathon
Abe Falkena	Member	City of Albert City
Ellsworth Jeppeson	Manager	

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
RICHARD R. MOORE, C.P.A.  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W.J. HUNZELMAN, C.P.A. 1921-1997

1100 WEST MILWAUKEE  
STORM LAKE, IOWA 50588  
712-732-3653  
FAX 712-732-3662  
info@hpcocpa.com

Independent Auditor's Report

To the Members of Buena Vista  
County Solid Waste Commission

We have audited the accompanying financial statement of Buena Vista County Solid Waste Commission as of and for the year ended June 30, 2009. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of Buena Vista County Solid Waste Commission as of June 30, 2009, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated, March 26, 2010, on our consideration of Buena Vista County Solid Waste Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 through 7 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

March 26, 2010

*Hunzelman, Putzier & Co.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Buena Vista County Solid Waste Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of Buena Vista County Solid Waste Commission is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

### 2009 FINANCIAL HIGHLIGHTS

The Commission's operating receipts increased 3%, or approximately \$44,000, from fiscal 2008 to fiscal 2009.

The Commission's operating disbursements increased approximately \$40,000, or 2%, from fiscal 2008 to fiscal 2009.

The Commission's net assets decreased 75%, or approximately \$148,000, from June 30, 2008, to June 30, 2009.

### USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses, and the related assets and liabilities, are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues, and liabilities and their related expenses, are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.

The Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements, and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

## FINANCIAL ANALYSIS OF THE COMMISSION

### Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Commission's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for user and gate fees from accepting solid waste, pop can redemptions, and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest earned on investments, loan proceeds, equipment purchases, closure costs, and debt service principal and interest payments. A summary of cash receipts, disbursements, and changes in cash basis net assets for the years ended June 30, 2009, and June 30, 2008, is presented below:

#### Changes in Cash Basis Net Assets

	<u>Year Ending June 30,</u>	
	<u>2009</u>	<u>2008</u>
Operating receipts:		
City and County assessments	\$ 693,974	\$ 632,741
User fees and gate receipts	645,379	617,056
Sale of recycled products	48,381	80,837
Pop can redemption	208,888	200,966
Rent	11,744	34,538
Finance charges	660	422
Miscellaneous	<u>8,324</u>	<u>6,751</u>
Total operating receipts	<u>1,617,350</u>	<u>1,573,311</u>
Operating disbursements:		
Salaries and benefits	794,124	788,773
Solid waste exchange	354,494	324,604
Pop can redemption	175,117	159,178
Garbage hauling	117,222	120,379
Fuel, oil, lubricants	80,832	72,821
Insurance	60,994	43,934
Other	<u>113,820</u>	<u>146,994</u>
Total operating disbursements	<u>1,696,603</u>	<u>1,656,683</u>
Deficiency of operating receipts over operating disbursements	<u>(79,253)</u>	<u>(83,372)</u>
Non-operating receipts (disbursements):		
Loan proceeds	527,652	38,763
Interest on investments	2,209	9,635
Sale of land	23,240	-
Debt payments	(80,733)	(25,880)
Closure costs	(138,914)	(38,709)
Equipment purchases/capital improvements	<u>(402,054)</u>	<u>(88,061)</u>
Net non-operating receipts (disbursements)	<u>(68,600)</u>	<u>(104,252)</u>
Net change in cash basis net assets	(147,853)	(187,624)
Cash basis net assets, beginning of year	<u>196,432</u>	<u>384,056</u>
Cash basis net assets, end of year	<u>\$ 48,579</u>	<u>\$ 196,432</u>

## FINANCIAL ANALYSIS OF THE COMMISSION – (Continued)

<u>Changes in Cash Basis Net Assets</u>		<u>Year Ending June 30,</u>	
		<u>2009</u>	<u>2008</u>
Cash basis net assets:			
Restricted for:			
Closure and postclosure		\$ 37,433	\$ 127,946
Unrestricted		<u>11,146</u>	<u>68,486</u>
Total cash basis net assets		<u>\$ 48,579</u>	<u>\$ 196,432</u>

In fiscal 2009, operating receipts increased by \$44,039, or 3%. The increase was primarily a result of a \$3 per capita increase in City and County assessments.

In fiscal 2009, operating disbursements increased by \$39,920, or 2% due mainly to an increase in the cost of disposing of waste at Cherokee County Solid Waste Facility. There were approximately 800 more tons of waste disposed of in 2009 compared to 2008.

A portion of the Commission's net assets, \$37,433 (77%), is restricted for closure and postclosure care. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets, \$11,146 (23%), are unrestricted cash basis net assets that can be used to meet the Commission's obligations as they come due. Restricted cash basis net assets decreased \$90,513, or 71%, during the year.

### LONG TERM DEBT

At June 30, 2009, the Commission had \$543,380 of outstanding debt compared to \$98,338 outstanding at June 30, 2008. See note 3 for additional details.

### ECONOMIC FACTORS

Buena Vista County Solid Waste Commission did not improve its financial position during the current fiscal year, and the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

Facilities require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated, presenting an on-going challenge to maintain up-to-date technology at a reasonable cost.

Annual deposits are required to be made to the postclosure account, based on the cost estimates to maintain the landfill for 30 years divided by the number of years to fund, and in our case we have 10 years to fund.

The Commission anticipates the current fiscal year will be one of transition as it makes important decisions regarding the future of solid waste in this planning area.

### CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If there are questions about this report or additional financial information is needed, contact Buena Vista County Solid Waste Commission, 1263 630<sup>th</sup> Street, Storm Lake, Iowa.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BASIS NET ASSETS  
YEAR ENDED JUNE 30, 2009

Exhibit A

Operating receipts:

City and County assessments	\$ 693,974
User fees and gate receipts	645,379
Sale of recycled products	48,381
Pop can redemption	208,888
Finance charges	660
Rent	11,744
Miscellaneous	8,324
Total operating receipts	<u>1,617,350</u>

Operating disbursements:

Salaries and benefits	794,124
Solid waste exchange	354,494
Monthly meeting reimbursement	5,215
Equipment maintenance and repairs	31,830
Fuel, oil, and lubricants	80,832
Operating supplies and repairs	15,819
Office expenses	7,750
Utilities	12,279
Travel and continuing education	1,550
Insurance	60,994
Engineering	3,711
Legal and accounting services	7,877
Garbage hauling	117,222
Freight	1,009
Pop can redemption	175,117
Real estate taxes	1,946
Solid waste fees and sales tax	1,303
Regional collection center	7,025
White goods disposal	6,060
Tire disposal	2,866
Gate closing	3,060
Miscellaneous	4,520
Total operating disbursements	<u>1,696,603</u>

Deficiency of operating receipts over  
operating disbursements

(79,253)

(Continued)



BUENA VISTA COUNTY SOLID WASTE COMMISSION  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BASIS NET ASSETS  
YEAR ENDED JUNE 30, 2009

Exhibit A

Non-operating receipts (disbursements):	
Loan proceeds	\$ 527,652
Interest on investments	2,209
Sale of land	23,240
Closure costs	(138,914)
Equipment purchases/capital improvements	(402,054)
Debt payments	<u>(80,733)</u>
Net non-operating receipts (disbursements)	<u>(68,600)</u>
 Net change in cash basis net assets	 (147,853)
 Cash basis net assets, beginning of year	 <u>196,432</u>
 Cash basis net assets, end of year	 <u>\$ 48,579</u>
 Cash Basis Net Assets:	
Restricted for:	
Closure and postclosure	\$ 37,433
Unrestricted	<u>11,146</u>
 Total cash basis net assets	 <u>\$ 48,579</u>

See notes to financial statement.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2009

1. Summary of Significant Accounting Policies

Buena Vista County Solid Waste Commission was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate, and maintain solid waste and recycling facilities in Buena Vista County on behalf of the units of government which are members of the Commission.

The governing body of the Commission is composed of one representative from each of the nine member cities and one representative from Buena Vista County. The member cities are: Albert City, Alta, Lakeside, Marathon, Newell, Rembrandt, Sioux Rapids, Storm Lake, and Truesdale. The commissioners are appointed by the participating political subdivisions and each has one vote.

A. Reporting Entity

For financial reporting purposes, Buena Vista County Solid Waste Commission has included all funds, organizations, agencies, boards, commissions, and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Jointly Governed Organization

The Commission also participates in a jointly governed organization, PCB Solid Waste Commission, whose purpose is to provide leadership in developing and preparing a joint comprehensive Solid Waste Management Plan and to assist in facilitating the disposal of any type of solid waste within the geographic area of the Commission.

Plymouth, Cherokee, and Buena Vista landfills are members of PCB Solid Waste Commission.

The Commission does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating Commissions.

C. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2009

1. Summary of Significant Accounting Policies - (Continued)

D. Basis of Accounting

Buena Vista County Solid Waste Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

E. Net Assets

Funds set aside for payment of closure and postclosure care are classified as restricted.

2. Cash

The Commission's deposits in banks at June 30, 2009, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition the Commission had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,084 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The Commission's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Commission.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2009

3. Notes and Loans

Activity in the notes and loans for the year ended June 30, 2009, is summarized below:

	Balance Beginning of Year	Issued	Paid	Balance End of Year	Interest Paid
BV County promissory note	\$ 23,986	\$ -	\$ 4,700	\$ 19,286	\$ -
Citizens First National Bank loan	35,000	-	35,000	-	156
Citizens First National Bank loan	-	98,000	-	98,000	2,053
Citizens First National Bank loan	-	311,969	-	311,969	6,802
Ziegler installment note	14,006	-	14,006	-	560
Iowa Dept of Natural Resources loan	23,146	-	6,613	16,533	-
Iowa Dept of Natural Resources loan	2,200	106,235	10,843	97,592	-
	<u>\$ 98,338</u>	<u>\$ 516,204</u>	<u>\$ 71,162</u>	<u>\$ 543,380</u>	<u>\$ 9,571</u>

The Commission has an unsecured promissory note in the original amount of \$94,486 payable to Buena Vista County. Repayment of this interest-free loan to the County began August 1, 1993, with annual payments of \$4,700 over a 20-year period.

On October 31, 2008, the Commission obtained a promissory note in the amount of \$98,000 from Citizens First National Bank to finance the purchase of a 2009 Caterpillar end-loader. The terms of the note stipulate five annual payments of \$19,600 due each November 1; beginning in 2009, with interest due each May and November 1. The note bears interest at 4.2%.

On May 15, 2009, the Commission took out a \$350,000 promissory note from Citizens First National Bank to provide long term financing for the construction of the municipal solid waste sorting building. Advances totaling \$311,969 were made under this note during the year ended June 30, 2009. Repayment terms include principal payments of \$35,000 due each January 15<sup>th</sup> beginning in 2010, with interest due each January and July 15<sup>th</sup>. The note bears interest at 3.65%.

The Commission entered into an installment sale agreement with Ziegler, Inc., on October 14, 2005, for the purchase of a Caterpillar tractor/dozer. The amount financed was \$52,875 with annual payments of \$14,567, which includes interest at 4%, due each October 15<sup>th</sup> from 2005 to 2008.

The Commission has obtained an interest-free loan from the Iowa Department of Natural Resources for a modification of the Commission's current recycling system. The maximum amount available under this loan is \$53,066 with \$20,000 considered forgivable and not required to be repaid. Repayment of this interest-free loan began January 15, 2008, with quarterly payments of \$1,653 due over a five-year period.

The Commission has obtained an interest-free loan from the Iowa Department of National Resources to fund the construction of a municipal solid waste sorting building. The maximum amount available under this loan is \$108,435. Repayment terms require quarterly payments of \$5,422 which began January 15<sup>th</sup>, 2009.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2009

3. Notes and Loans – (Continued)

Annual debt service requirements to maturity for the above notes and loans are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 87,600	\$ 10,776	\$ 98,376
2011	87,600	12,967	100,567
2012	84,294	10,878	95,172
2013	80,987	8,783	89,770
2014	65,930	6,685	72,615
2015-2018	<u>136,969</u>	<u>12,333</u>	<u>149,302</u>
	<u>\$ 543,380</u>	<u>\$ 62,422</u>	<u>\$ 605,802</u>

4. Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the Commission is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007, were \$39,547, \$35,886, and \$30,230, respectively, equal to the required contributions for each year.

5. Closure and Postclosure Care

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure.

Environmental Protection Agency (EPA) requirements have established closure and thirty year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period.

The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2009

5. Closure and Postclosure Care – (Continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period, and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs to the Commission for closure and postclosure cost as of June 30, 2009, has been estimated at approximately \$85,151 and \$932,700, respectively. These liabilities have been guaranteed by Buena Vista County per Chapter 567-113.14(6f) of the Iowa Administrative Code. The landfill is no longer accepting solid waste and is operating as a transfer station.

6. Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation at June 30, 2009, was \$25,631. This liability has been computed based on rates of pay in effect at June 30, 2009.

7. Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986, for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's annual contribution to the Pool was \$38,338 for the year ending June 30, 2009.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2009

7. Risk Management – (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions, however, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and the employee blanket bond in the amount of \$1,000,000 and \$200,000, respectively. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Major Customers

For the year ended June 30, 2009, two customers accounted for approximately 46% of the gate receipts.

9. Contracts and Commitments

The Commission has entered into the following contracts which were not completed as of June 30, 2009:

<u>Project</u>	<u>Total Contract</u>	<u>Amount Paid as of June 30, 2009</u>	<u>Remaining Commitment as of June 30, 2009</u>
Solid waste sorting building	\$349,358	\$ 277,123	\$ 72,235
Engineering	30,200	29,275	225

The Commission is currently seeking liquidation damages for late completion of the solid waste sorting building. The settlement amount has yet to be determined.

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.  
RICHARD R. MOORE, C.P.A.  
WESLEY E. STILLE, C.P.A. (RETIRED)  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W.J. HUNZELMAN, C.P.A. 1921-1997

1100 WEST MILWAUKEE  
STORM LAKE, IOWA 50588  
712-732-3653  
FAX 712-732-3662  
info@hpcocpa.com

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of a Financial Statement Performed in  
Accordance with Government Auditing Standards

To the Members of Buena Vista  
County Solid Waste Commission

We have audited the accompanying financial statement of Buena Vista County Solid Waste Commission as of and for the year ended June 30, 2009, and have issued our report thereon dated March 26, 2010. Our report expressed an unqualified opinion on the financial statement, which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Commission's financial statement that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by the Commission's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the Schedule of Findings, we believe items (A), (B), and (C) are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buena Vista County Solid Waste Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Commission's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the responses, we did not audit the Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of Buena Vista County Solid Waste Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

March 26, 2010

*Hungelmann, Putzier & Co.*

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Findings Related to the Financial Statement:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by one individual.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Due to limited office personnel, segregation of duties is difficult. Thorough review of the financial reports will be done monthly, dated and initialed by the reviewer. We will try to achieve segregation of duties by associating duties between the manager, assistant manager, and office staff.

Conclusion - Response accepted.

- (B) Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for the members of the Commission to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response - The management will do what they can to obtain the additional knowledge and expertise to prepare the year-end financial statements, including footnote disclosures.

Conclusion - Response accepted.

- (C) Payables and Penalties - As of June 30, 2009, there was approximately \$82,000 of garbage hauling and exchange fees, approximately \$25,000 of Federal payroll taxes, and approximately \$25,000 of IPERS, which were not paid until several months later. There were also approximately \$3,000 in penalties assessed because of the late payments of the payroll taxes and IPERS. The cash flow situation appears to have deteriorated significantly over the last several years, and the current cash basis of accounting does not accurately reflect the financial position.

Recommendation - The board needs to address this situation immediately to increase the cash flow, and should also consider converting from cash basis accounting to the accrual basis of accounting to better reflect the actual financial position.

Response - The board will address the situation by discussing ways to increase cash flow, and will convert from cash basis accounting to accrual accounting immediately.

Conclusion - Response accepted.

BUENA VISTA COUNTY SOLID WASTE COMMISSION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (2) Travel Expense - No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not. However, the published minutes do not include a schedule of bills allowed, and gross salaries were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation - The Commission should ensure the minutes are published as required.

Response - The Commission will ensure that the minutes, schedule of bills allowed, and gross wages are published.

Conclusion - Response accepted.

- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.
- (5) Financial Assurance - The Commission has demonstrated financial assurance for closure and postclosure care costs by obtaining a local government guaranty as provided in Chapter 113.14(6f) of the Iowa Administrative Code Section 567 and by requesting a variance to Iowa Administrative Code Section 567, which requires fully funding closure and postclosure accounts before the closure of the landfill. The variance has been approved and provides as follows:
  - a. Use the remaining life of the Buena Vista County landfill to set aside funds in the closure account for costs to close the landfill consistent with the landfill engineer's closure estimate; and,
  - b. Within ten (10) years after close of the landfill or by June 30, 2018, whichever is shorter, set aside funds in the postclosure account for costs to maintain the site for the remainder of the postclosure period consistent with the landfill engineer's postclosure cost estimate.

The total estimated costs for closure and postclosure care is \$1,017,851. Buena Vista County has guaranteed this liability.